

Message Text

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FM AMEMBASSY BERLIN

TO SECSTATE WASHDC 0915

INFO AMEMBASSY BUDAPEST

AMEMBASSY PRAGUE

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E.O. 11652: N/A

TAGS: BPRO, GE, HU, CZ

SUBJECT: JOINT AUTOMOTIVE PROJECT

REF: A) STATE 120941; B) BERLIN 5802 (NOTAL)

1. SUMMARY: THE EXISTENCE OF, OR PLANS FOR, A TRI-PARTITE AUTOMOTIVE PROJECT CANNOT BE VERIFIED IN EAST BERLIN. GM MAY WISH TO PROBE BILATERAL GDR COOPERATION POSSIBILITIES FURTHER IN LIGHT OF THE UNCERTAINTIES CONFRONTING THE INDIGENOUS AUTOMOBILE INDUSTRY. END SUMMARY:

2. THE TRIPARTITE AUTOMOTIVE PROJECT, IF IT IN FACT EXISTS, IS ONE OF THE BEST-HELD SECRETS IN EAST BERLIN. ALL OF OUR SOURCES ADMIT TO THE EXISTENCE OF LIMITED GDR-CZECH COOPERATION, BUT ONLY A FEW WILL ACKNOWLEDGE PAST OR CONTINUING EFFORTS AT MORE EXTENSIVE BILATERAL PLANS FOR THE AUTOMOTIVE SECTOR. HUNGARIAN PARTICIPATION OR INTEREST IN SUCH A PROJECT, HOWEVER, IS DOUBTED; THIS WOULD CONFIRM EMBASSY BUDAPEST'S INFORMATION (BUDAPEST 1598).

3. ALTHOUGH MUCH OF THE INFORMATION WE HAVE BEEN ABLE TO SECURE IS CONTRADICTORY, IT APPEARS THAT THE LIMITED OFFICIAL USE

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PRESENT GDR-CZECH "COOPERATION" IS LIMITED TO TRADE IN

AUTOMOTIVE ACCESSORIES AND COMPONENT PARTS. THE CZECH AMBASSADOR RECENTLY TOLD AN EMBASSY OFFICER THAT PLANS FOR THE JOINT PRODUCTION OF AN AUTOMOBILE STILL EXIST BUT THAT THESE WOULD NOT BE REALIZED FOR SEVERAL YEARS DUE, INTER ALIA, TO THE DETERIORATION IN ECONOMIC PROSPECTS AS A RESULT OF INCREASED PRICES FOR FUELS AND OTHER RAW MATERIALS. THE INFORMATION WE HAVE FROM OUR GDR SOURCES, HOWEVER, LEADS US TO CONCLUDE THAT THE CZECH INTEREST IN A MORE FAR-REACHING COOPERATIVE ARRANGEMENT IS NOT SHARED BY THE EAST GERMANS.

4. THIS HAVING BEEN SAID, WE MUST ALSO ADMIT THAT IT IS NOT CLEAR TO US EXACTLY WHAT THE EAST GERMANS HAVE IN MIND FOR THEIR DOMESTIC AUTOMOBILE INDUSTRY. IT IS GENERALLY ANTICIPATED THAT PRODUCTION OF THE TRABANT AND THE WARTBURG CAR WILL CONTINUE AS HERETOFORE. BEGINNING IN 1978, HOWEVER, A FOUR-STROKE MOTOR WILL BE INCORPORATED IN BOTH MODELS TO REPLACE THE PRESENT ENVIRONMENTALLY-UNATTRACTIVE TWO - STROKE ENGINES. THIS SHIFT IS DUE IN PART TO FOREIGN MARKET PRESSURES; WE UNDERSTAND THAT SALES OF THE WARTBURG IN WESTERN EUROPEAN COUNTRIES, PARTICULARLY THE U.K., HAVE BEEN OR WILL BE HALTED SHORTLY BECAUSE OF THE MORE STRINGENT NEW EMISSION CONTROL STANDARDS OF THE EC. THE IMPROVED MOTORS MAY BE IMPORTED FROM UK. WHERE THE GDR CONTINUES TO BE IN TOUCH WITH BRITISH LEYLAND ON THIS MATTER.

5. ONE GDR SOURCE CLAIMED THAT THE GDR WOULD CONTINUE TO MANUFACTURE ITS OWN VEHICLES INDEFINITELY BECAUSE SUCH PRODUCTION WAS CENTRAL TO A MODERN AND EFFICIENT ECONOMY. IN THIS CONNECTION IT WAS NOTED THAT THE GDR HAD ALMOST MATCHED FRG EFFICIENCY; A TRABANT REPRESENTS 93 HOURS OF LABOR WHILE MAKING A VOLKSWAGEN REQUIRES JUST 7 HOURS LESS. AN OPPOSING GDR VIEW MAINTAINS THAT THE INDIGENOUS GDR PRODUCTION OF CAR IS NOT ECONOMICAL AND IS CONSUMING INVESTMENT FUNDS WHICH COULD MORE PRODUCTIVELY BE EMPLOYED ELSEWHERE. HE ASSERTED THAT, IN TIME, THE GDR WOULD BECOME MERELY LIMITED OFFICIAL USE

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AN ASSEMBLER OF A FOREIGN-MADE VEHICLE, MOST PROBABLY THE SOVIET ZHIGULI.

6. THE FOREGOING PROVIDES NO DEFINITIVE INDICATION AS TO WHAT ROLE, IF ANY, GM MIGHT LOOK FORWARD TO IN THE GDR. THE EXISTING UNCERTAINTIES, PLUS THE ADDITIONAL OPTION(S) WHICH NON-CEMA INTEREST IN A COOPERATIVE VENTURE MIGHT PRESENT, HOWEVER, SUGGEST

THAT FURTHER EXPLORATION ON THE PART OF GM COULD BE
WORTHWHILE. THE EMBASSY'S ECONOMIC/COMMERCIAL
OFFICER WOULD BE PLEASED TO DISCUSS THIS MATTER IN
GREATER DETAIL WITH GM OFFICIALS DURING HIS HOME
LEAVE IN JULY (REF B). COOPER

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